

CONSTRUCTION COMMENTARY

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After the election in May 2023, Thailand eventually had her Prime Minister in October, which is not from the winning party and seems to be the first of its kind. The coalition government comprises many parties representing different interests. There is doubt on the efficiency of the government and its life span.

The minimum daily wage with effect from 1st January 2024 ranges between Baht 330 to 370, compared to the previous level of Baht 328 to 354. The level falls short of the Baht 400 promised by the ruling party during its election campaign. The government is determined to review the provision again in March.

Thai Baht has been very volatile. The exchange rate was 1 USD to Baht 32.57 in January 2023, then fell to the lowest at 1 USD to Baht 37.24 in October. It hovers around 1 USD to Baht 34 to 35 currently.

The stock market reported a 16% drop in the first 11 months, which is one of the worst performers in the region post Covid.

Exports registered a consecutive 4 months' increase since August after an 11 months' continual reduction. An annual contraction of 1.5% is expected.

Tourist arrivals reached 27 million, which is in line with projection. Malaysia overtook China as the country having the highest number of inbound tourists to Thailand.

It is a mediocre year for the residential market. The number of sales launch has been less than that announced earlier in the year. Sales of houses continued to top the list. Condominium sales are still supported by foreign buyers, with Chonburi surpassing Bangkok in this respect. Chinese remained the number one foreign buyer while Myanmar for the first time entered into the top ten.

Construction permits or approvals granted for 2 projects were revoked. One of the projects, which is a joint venture with foreign investor, was actually completed pending unit transfers.

Such incidents undermine the confidence of investors and increase the difficulty of financial arrangement.

The occupancy rate of office has dropped to 78% in the third quarter. Potentially 1.6 million m2 of spaces will be added between 2024 and 2028. There is pressure on both rental and occupancy.

A number of measures are planned to stimulate the economy with a target of 5% GDP growth. These include a Baht 10,000 digital wallet scheme, minimal monthly salary of Baht 25,000 for university graduates, minimum wage rate increase eventually to Baht 600, household debt restructure, extending the reduced transfer (1%) and mortgage (0.01%) fee to end 2024, approval of a land bridge scheme in Northern Thailand etc.

The effectiveness of some of these measures, such as the digital wallet scheme and the land bridge scheme is controversial or doubtful though.

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The coming year is full of uncertainty.

Many nations including the USA will undergo elections. The results would have implications to the policies of those nations with changes in government.

There is no sign of the end of Russia Ukraine and Israel Hamas wars, which occurred only in October.

Geopolitical conflicts, particularly in Asia, are expected to be persistent and actually unpredictable.

China plays a vital role to Thailand economy in investments, property purchases, trading, tourism etc. With the debt crisis in her property sector and implementation of various policies, it is unlikely of any significant improvement to her economy shortly.

Household debt stands at 91% of the GDP, which is beyond the world standard of 80%.

Thai population is aging at a median age of 40.2 years. There is severe labour shortage and the cost of labour is high compared to Indonesia and Vietnam, Thailand's major competitors. The electricity bill rates are the highest in the Asean region.

There are positive factors.

With the escalation in political tensions in Asia, Asean countries including Thailand would become one of the havens for investments.

The economic slowdown in China would result in competitive prices of a number of products including construction materials, though at the expenses of some industries and manufacturers. Such would lead to less pressure on costs overall.

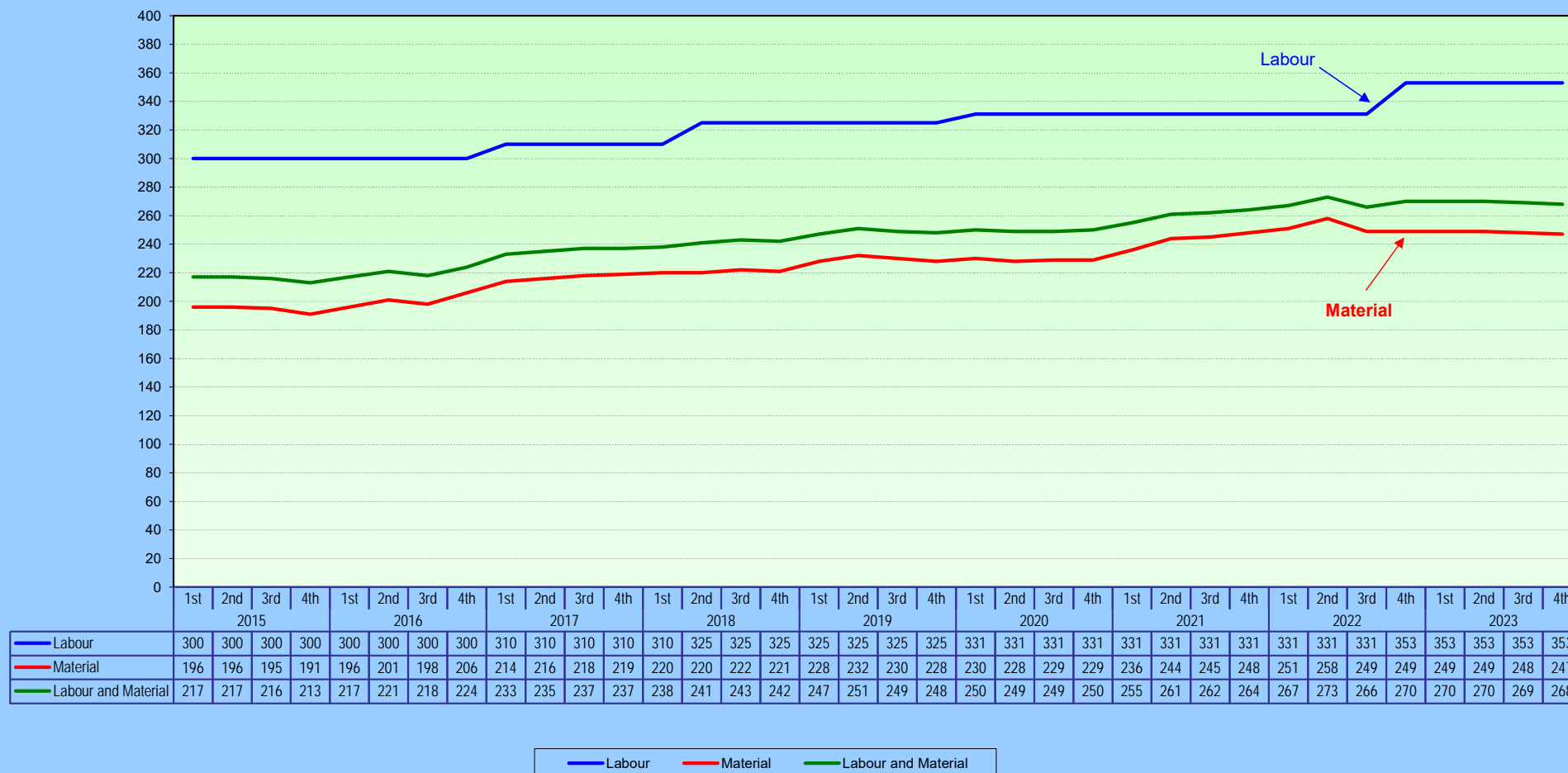
With inflation appearing to be tamed in USA, the interest rate hike seems to be over. The Bank of Thailand actually has vowed to maintain, if not reduce the policy rate of 2.5% and will find reason to lower the rate to boost the economy.

The stock in hand for many property developers has dwindled and there is justification for replenishment to meet the potential upturn of the market.

Year 2024, subject to political tensions, is projected to be a year of consolidation and preparation for future economic growth.

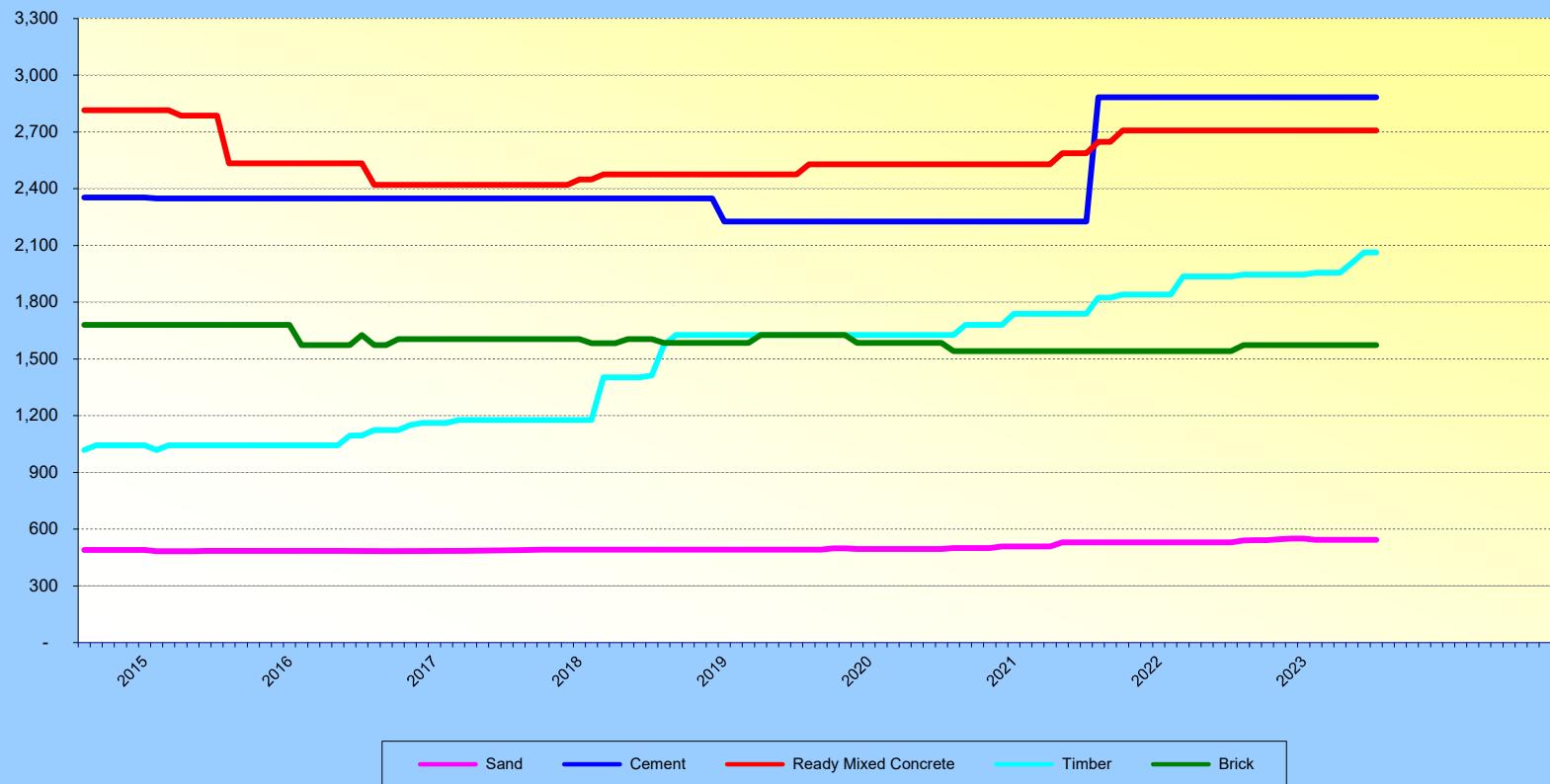
Construction cost will remain stable with an estimated annual increase of 1% to 3%.

Labour & Material Cost Indices



- Notes :
- (1) Base of index is at first quarter 1992.
 - (2) VAT rate is 7% except for the period between 3rd Quarter 1997 and 1st Quarter 1999, which is 10%.

Materials Cost Trends



Sand (Baht per cu.m)
 Cement (Baht per tonne)
 Ready Mixed Concrete (Baht per cu.m)
 Timber (Baht per cu.ft)
 Brick (Baht per 1,000 pcs.)

Source : Ministry of Commerce

Steel Cost Trends



Mild Steel Bar (Baht per tonne)

High Tensile Steel bar (Baht per tonne)

Source : Ministry of Commerce

Approximate Order of Construction Costs

	<u>Cost per m2 of CFA</u>	
	Baht	
Office		
High quality	33,500	- 38,500
Medium quality	28,500	- 33,000
Ordinary quality	25,500	- 28,500
Shopping centre		
High quality	29,000	- 33,000
Medium quality	25,000	- 29,000
Hotel (including FF&E)		
5 Star	60,000	- 64,000
4 Star	56,000	- 60,000
3 Star	48,500	- 54,000
Residential condominium		
High quality	40,000	- 49,000
Medium quality	30,000	- 38,500
Low quality	25,000	- 29,000
Factory (low rise)	18,000	- 22,000
Car park		
Multi storey	15,000	- 18,000
Basement	19,000	- 23,000

Notes :

- (1) The construction costs indicated are based on prices obtained by competitive tendering for lump sum fixed price contracts with a normal contract period and normal site conditions and locations.
- (2) The costs are average square metre unit costs only not based on any specific drawings / designs. The costs are nothing more than a rough guide to the probable cost of a building. Figures outside the given ranges may be encountered.
- (3) The costs exclude furniture, furnishing and equipment [FF&E] (except hotel), site formation and external works, financial and legal expenses, consultants' fees and reimbursables, value of land and fluctuation between the prices at the date of this commentary and the time of calling tenders.
- (4) Construction Floor Areas [CFA] (for estimating and cost analysis purposes) are measured to the outside face of external walls (or in the absence of such walls, the external perimeter) of the building and include all lift shafts, stairwells and E&M rooms but exclude light wells and atrium voids. Basement floor areas, if any, are also included.

CFA would generally be the same as the suspended slab areas of a building.
- (5) Gross Floor Area [GFA] for submission to building authority, which includes areas on grade and accessible roof areas, tends to be higher.
- (6) CFA, with the exception of factory and car park, includes car parking areas which form an integral part of a development.

Unit construction costs as presented would be higher if parkings are on external areas or located in separate premises or mechanical parking systems are in use.